



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

March 23, 2010

Jayson Kizonhi, Director, Learning Technologies & Services
Cardinal Health, Inc.
7000 Cardinal Place
Dublin, OH 43017

Dear Mr. Kizonhi:

RE: Final MONITORING VISIT REPORT for Cardinal Health, Inc. – ET08-0376

Date of the Visit:	2/24/10
Beginning/Ending Time:	09:00 a.m. – 12:00 Noon
Date of Last Visit:	6/04/09
Visit Location:	San Diego
Persons in attendance:	Jayson Kizonhi, Director, Learning Technologies & Services; and Rita Sharrock, Training Execution & Quality Consultant; both from Cardinal Health; Mollie Begalla, Sr. Specialist; and Scott Kappele, Manager; both from Care Fusion; Brooke Perez, Tax Manager, and Jacelyn Denina, Paraprofessional; both from Deloitte Tax, LLP (Administrative Subcontractor); and Krista Campion, Contract Analyst, Employment Training Panel
Action Required:	No

CONTRACT INFORMATION

Term of Agreement:	03/03/08 – 03/02/10	Agreement Amount:	\$3,204,000
Training Start Date:	3/03/08	No. to Retain:	3,560
Date Training must be Completed:	12/01/09	Range of Hours:	24 – 200
Type of Trainee:	Retrainee	Weighted Ave. Hours:	50

SACRAMENTO CENTRAL OFFICE
1100 J Street, 4th Floor
SACRAMENTO, CA 95814
(916) 327-5640

N. HOLLYWOOD REGIONAL OFFICE
4640 Lankershim Blvd., Suite 311
NORTH HOLLYWOOD, CA 91602
(818) 755-1313

S.F. BAY AREA REGIONAL OFFICE
1065 East Hillsdale Blvd, Suite 415
FOSTER CITY, CA 94404
(650) 655-6930

SAN DIEGO REGIONAL OFFICE
5353 Mission Center Road, Suite 110
SAN DIEGO, CA 92108
(619) 686-1920

**ACTION ITEMS REMAINING
FROM THE PRIOR VISIT:**

None

- **HISTORY OF AGREEMENT CHANGES**

Training commenced on this project on 3/03/08. The Agreement was subsequently executed on 4/30/08. Ms. Perez confirmed that all training was completed on 12/02/09, which allows for the 90-day retention period to be completed within the term ending date of the Agreement – 3/02/10.

ETP approved two Modifications to the Agreement during the project term. Modification No. 1 added two occupational job titles to the Agreement. Modification No. 2 revised the contract representative information, added Agreement language to include additional participating employers in the training plan, and added additional CBT courses to the curriculum.

- **INTERVIEW WITH JAYSON KIZONHI, DIRECTOR, LEARNING TECHNOLOGIES AND SERVICES; AND RITA SHARROCK, TRAINING EXECUTION & QUALITY CONSULTANT**

Cardinal Health manufactures and distributes a wide variety of products and services for the healthcare industry. This proposal targeted many Cardinal Health facilities in California including Cardinal Health's distribution, manufacturing, and pharmaceutical divisions along with several of its subsidiaries in California. During the term of the Agreement, Cardinal Health completed its spinoff of the company's clinical and medical products businesses to a new company named CareFusion Corporation. As a result, many trainees who were originally employed by Cardinal Health, completed the 90-day retention period as CareFusion employees.

The training under this Agreement included Business Skills, Computer Skills, Continuous Improvement, Manufacturing Skills, Management Skills, and Advanced Technology (AT) delivered via class/lab environment or via CBT (Computer-Based Training). You and your staff reported that, overall, the ETP training was beneficial in helping Cardinal Health and its subsidiaries define processes, update job skills and build talents of its existing staff. With ETP help, Cardinal Health was able to establish a training culture that ultimately improved work efficiencies.

You reported that the Business Skills training was very beneficial as it helped to centralize approaches for the sales staff, provided consistency to best practices, and ensured the implementation of process improvements. The Business Skills training also helped align the sales team with new business strategies at the company.

The Continuous Improvement training in Quality, Kaizen Events and Six Sigma, helped improve specific processes, reduced steps, and helped eliminate waste, which ultimately improved the company's "time to market" processes.

You reported that the barriers to reaching the full contract performance were primarily business related. The focus on the spinoff of CareFusion took resources, time and commitment away from training. As a result, 4,000 of the 5,000 employees enrolled in this project will be dropped, primarily because they did not complete the minimum number of hours to qualify for reimbursement (see projected earnings below).

PROJECT STATUS PROVIDED BY THE CONTRACTOR

Trainees Started Training:	3,655	Completed Training:	937
Trainees Enrolled:	5,105	Completed Retention:	937
Dropped Following Enrollment:	*16	In Retention Period:	0
No. Completed Minimum Reimbursable Hours:	937		

**There are approximately 4,168 drops to be submitted on this project prior to the submission of the closeout invoice.*

PROJECTED EARNINGS / NUMBER TO RETAIN

The ETP class/lab tracking system reflects that 937 trainees have completed the minimum number of hours to qualify for reimbursement. Ms. Perez reported that this projection is approximate. Given that this is a statewide project, Ms. Perez reported that there are still some outstanding attendance rosters to be submitted and entered into the ETP class/lab tracking system in addition to some CBT hours.

The per trainee reimbursement for class/lab training is based on the total actual number of training hours completed for each trainee, provided the minimum (24) and no more than the maximum (200) class/lab training hours are completed, and all other Agreement terms and conditions are met.

The 937 retrainees referenced above have completed from 24 to 192 hours of class/lab, AT and CBT training, for a grand total of 40,839 hours of training. **This equates to a potential reimbursement, to date, of \$713,878, assuming that all Agreement performance requirements are met.** This amount is approximately 22% percent of the Agreement amount. Ms. Perez reported that she projects the maximum amount to be earned by Cardinal Health, following the submission of all attendance rosters and the reconciliation of all performance requirements, will be no more than \$800,000 (25% of the Agreement amount).

CLOSEOUT INVOICE

Given the scope of this project, Cardinal Health requested and was granted by the ETP Fiscal Unit an extension for the submission of the closeout invoice for an additional 60 days. The closeout invoice was originally due to ETP by 4/02/10; it is now due by 6/02/10.

TRAINEES WHO EXCEED 10-HOURS OF TRAINING PER DAY

Currently, the class/lab "10-Hour" report in ETP's tracking system reflects that six retrainees have each exceeded 10 hours of training for three consecutive days on the dates of 7/28/09, 7/29/09 and 7/30/09. Ms. Sharrock reported to the Analyst that all of these training hours have been verified as correct.

ATTENDANCE ROSTERS

Attendance Rosters reviewed:	12 Trainees covering 3/11/08 – 11/21/09	Rosters reviewed contained all the required information per Title 22, California Code of Regulations, Section 4442.	YES
Information contained in rosters reviewed was consistent with the hours reported on-line?			YES

Note: A few data entry and documentation errors were discovered by the Analyst during the visit that were subsequently corrected by Deloitte Tax project staff.

Please be advised that CBT cannot exceed 50% of a trainee's total training hours, as specified in the revised Agreement Curriculum.

AUDIT

Cardinal Health, Inc. will be notified in writing if this Agreement is selected for an audit, conducted either at your site (field audit) or by telephone (desk audit or "review"). The Audit Notification and Audit Confirmation letters will be sent in advance to allow ample preparation time and will include a list of documents that will be examined by the auditor. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

- Training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment

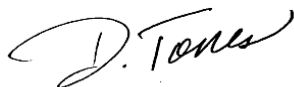
- Documentation of employer paid health benefits (if applicable)
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information in this letter, please contact Ms. Campion at 619-686-1917, or at, within ten (10) working days from the receipt date of this letter.

Sincerely,



Diana Torres, Manager
San Diego Regional Office



Krista Campion, Contract Analyst
San Diego Regional Office

cc: Rita Sharrock, Cardinal Health
Brooke Perez, Deloitte Tax, LLP
Kulbir Mayall, ETP Fiscal Manager
Master File
Project File
Final Report File